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# United States Senate

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August 23, 2005

The Honorable Robert J. Portman  
United States Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20250

Dear Ambassador Portman:

As you and I discussed in our initial meeting last spring prior to your confirmation as U.S. Trade Representative, corn is the most valuable agricultural commodity grown in Iowa, and thus trade disputes that involve corn and corn products are very important to me. Among the most frustrating issues I have dealt with is the persistent effort by the government of Mexico to limit imports of U.S. high fructose corn syrup (HFCS), which is tied to the ongoing dispute over Mexican sugar exports to the United States. It is estimated by the U.S. corn refining industry that Mexico's various trade barriers against HFCS has cost U.S. corn processors and farmers billions of dollars over the past several years.

A few weeks ago, a dispute settlement panel of the World Trade Organization (WTO) released its report on the case the U.S. government had filed against the latest Mexican barrier against HFCS, a 20 percent tax imposed solely on beverages containing HFCS. The WTO panel found in favor of the U.S. on almost all issues, and the government of Mexico now has up to 90 days to file an appeal of this decision.

This is the second WTO case on HFCS trade issues with Mexico in which we have prevailed, in addition to a separate case filed under dispute settlement procedures of the North American Free Trade Agreement (NAFTA), which we also won. I understand that officials of the Mexican government have made overtures reported in the press about their willingness to negotiate a resolution with the U.S. government to this long-running sweetener dispute. However, those reports are also suggesting Mexico could withdraw the 20 percent beverage tax but impose a 210 percent tariff on U.S. HFCS, which is the MFN rate. Such an action would be inconsistent with Mexico's obligations under NAFTA, which provides for a zero tariff for HFCS of U.S. origin. Since the WTO does not enforce provisions of bilateral trade agreements, the United States would have to return to NAFTA dispute resolution procedures to challenge a new Mexican tariff on HFCS.

To be blunt, it clearly seems we are being run around in circles. Mexico is threatening an action that would tie the issue up in procedures and allow it to continue to restrict U.S. HFCS trade for another year or two. It is time to end this cycle of Mexican barriers and trade cases – which the United States has consistently won.

The Honorable Robert J. Portman  
August 23, 2005  
Page two

USDA's August 2005 estimates indicate that U.S. sugar production will fall short of normal levels this year, and we will likely be able to accommodate additional imports to meet domestic demand. Further, Mexico's recent crop was abundant enough to generate a significant exportable surplus. I hope these circumstances may facilitate the successful negotiation of a resolution to the sweetener dispute that has been plaguing U.S.-Mexico trade relations for so many years. Any satisfactory resolution must, of course, include removal of the Mexican beverage tax by the end of this year, and it must be reasonably balanced relative to U.S. sweetener production and demand.

A favorable resolution of this matter to allow U.S. HFCS exports to Mexico to resume could raise the U.S. corn price by several cents a bushel, helping U.S. farmers and reducing farm program spending. That is an outcome we should definitely strive to achieve. Thank you for your attention to this critically important matter.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Tom Harkin", with a stylized, flowing script.

Tom Harkin  
Ranking Democratic Member